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Defense Contracts' Profit Level Seen Sharply Decreased

There is no basis for anyone to assume there has been a sharp increase in profits on Defense Department contracts—or expressing concern that the increased volume of Vietnam procurement has given rise to "war profiteering," according to Assistant Secretary of Defense (I&L) Thomas D. Morris.

Actually, average profits on Defense contracts have decreased markedly since the late 1950's, Mr. Morris told Pentagon newsmen.

Some mistakes are, of course, inevitable in the handling of 15 million military purchase actions annually, Mr. Morris said, "but the facts tell a story of significant accomplishment in military procurement."

In addition, he said, Congress has established the Renegotiation Board to protect the public against any abnormal trend to high profits. The Department of Defense has supported continuation of the Board.

The facts of defense procurement, as described in a letter from Secretary of Defense Clark M. Clifford to the Chairmen of the Appropriations and Armed Forces Committees, show clearly that:

1—Since 1958 profits have declined sharply. For a group of 40 companies who develop and produce military hardware (ships, planes, missiles, etc.) pre-tax average profits have declined from 5.4 cents per dollar of sales in 1958 to 4.5 cents in 1966.

2—An even greater decline has occurred when the profits of these companies are measured on capital invested. The reason is the fact that, collectively, these companies have increased their own investment in

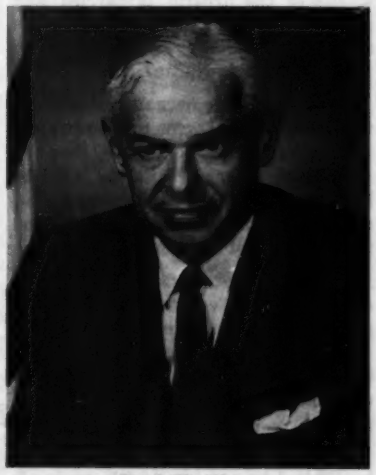
(*Continued on Page 7*)

Sec. Nitze Describes Complexity Of Modern Strategic Problems

Deputy Secretary of Defense Paul H. Nitze told a Harvard University ROTC graduating class June 12, that the commission received by them is a mandate to serve in the Armed Forces "with your mind—far more than with your muscle."

He elaborated to the Army, Navy and Air Force ROTC Units, Class of 1968 that military firepower—in its raw, mechanized aspects—remains an important ingredient in combat readiness. But weapon systems have become so irreversibly complicated, and so highly specialized, that their application to equally complex strategic problems requires careful and serious study.

"It is not simply that military skills are immensely more technological in nature than in the relatively recent past, but that the whole foundation of military science—the politico-strategic considerations—today are significant in new ways."



Paul H. Nitze

He added, "Indeed, military officers today probably devote more time to training and study than do those in most other professions."

The secretary noted his observation of the services in their advanced schools and participation in seminars and discussion groups.

"I am continually impressed with the caliber of the minds of many of these men, and with the discipline of thinking which the nature of the problems they must deal with forces on them," the secretary said.

He added, "Novelty merely for novelty's sake does not pay off in battle. It must succeed better than previous methods."

Secretary Nitze went on, "But there are areas of strategic study where it does seem to me that new approaches are resulting in more precise tools of analysis.

"For example, military men have traditionally been concerned with the distinction between enemy intentions and capabilities. They have held that the more prudent course was to concentrate on the enemy's capabilities, rather than on his intention—on the sound basis that one can be more easily deceived about an enemy's intentions than about his capabilities.

"But there is another question which a strategic thinker must solve—a question that might be called the 'We-They-Problem.' It is the problem of clearly identifying the structure of potential adversaries, and those potentially on one's own side—and analyzing carefully the interrelationships between the 'We's' and the 'They's.'

"A strategist needs, above all, to identify with precision who is the

(*Continued on Page 8*)

LBJ Signs Executive Order for July 1 Pay Raise

Executive Orders signed last week by President Johnson put into effect for more than 3 million members of the Uniformed Services and more than 2 million Federal civilian employees the July 1968 increases called for in the 1967 pay laws.

Service members gain an across-the-board pay hike of 6.9 percent of basic pay beginning July 1. This percentage is equivalent to the 4.9 percent average salary increase going into effect for general schedule (GS) civilian employees during the same month.

The new basic pay rates for military personnel are shown in the chart on the opposite page.

The July 1968 military pay adjustment is the first increase brought about when the Uniformed Services Pay Act of 1967 authorized military pay increases corresponding to any granted general schedule civilian employees.

The Postal Revenue and Federal Salary Act of 1967 directed the President to adjust civilian salary rates in effect as of October 1967 by whatever amount they lagged behind rates paid for the same levels of work in private enterprise. The adjustment would be accomplished by 1969 in two annual pay increases, each equal to one-half of the lag.

The Uniformed Services Pay Act of 1967, enacted almost simultaneously with the civilian pay law, provided that whenever the rates for general schedule employees were adjusted upward a comparable upward adjustment in basic pay would go into effect immediately for members of the Uniformed Services.

Because basic pay constitutes only about 70 percent of regular military compensation, a 4.9 percent average increase in civilian salaries translates into a 6.9 percent increase in basic military pay. The July pay adjustment does not change such elements of military compensation as allowances for quarters and subsistence or special pays.

The percentages for military and civilian pay increases are not spelled out in either the military pay law or the civilian pay law. Instead they result from comparisons of Federal civilian and private enterprise salary rates. Annual surveys conducted by the Bureau of Labor Statistics are the basis for comparison.

Under the Uniformed Services Pay Law of 1967 basic military pay can continue to increase for an indefinite period and without further legislation each time salaries for general schedule civilian employees increase. The same average percentage increase would be granted each group. Any civilian employee increase after July 1969 will require additional legislation.

DOD Issues New Directive on Firearms for Civilian Employees

The Defense Department has restated the circumstances under which civilian officers and employees may carry firearms.

A new policy directive (5210.38) states that authorization to carry firearms will be strictly controlled and geared to the likelihood or expectation of hazard to life or property or to highly unpredictable circumstances involving possible hazard to life or property.

The provisions of the directive apply to all components of the Department of Defense.

Main points of the directive are:

1—Authorization to carry firearms shall be in writing and signed by a duly designated official except in situations requiring immediate action to protect life or property. The authorization must be carried on the person whenever the firearm is carried and produced upon demand of competent authority. It must be returned when the firearm is returned.

2—Except in emergency situations requiring immediate action to protect life or property, no person may be authorized to carry firearms until he has first satisfactorily completed a course of training in the safe use and maintenance of firearms.

3—Except for personnel regularly assigned to duties which customarily fall within the purview of this directive, authorizations shall be limited to specific situations or assignments with inclusive dates shown where applicable.

4—Continuing authorizations shall be limited to one year with renewals predicated upon the satisfactory completion of a firearms proficiency and familiarization test.

5—When practicable, firearms should be returned to control point daily and always returned upon completion of a specific assignment.

6—Firearms may be carried openly or concealed.

Authorizations to carry firearms may be granted when personnel are assigned to the following types of duties:

1—Investigative cases of espionage, sabotage, subversion or other serious crimes committed by persons under military authority or on military reservations or property.

2—Investigating other cases in unusually hazardous areas of circumstances.

3—Protecting high ranking Department of Defense personnel or foreign dignitaries.

4—Carrying or protecting highly classified information or material.

5—Protecting other Government property.

6.—Guarding military prisoners.

COMMANDERS DIGEST

THIS PUBLICATION CONTAINS OFFICIAL INFORMATION, NEWS AND POLICY, DIRECT FROM WASHINGTON AUTHORIZED SOURCES.

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Military Basic Pay, Effective July 1, 1968, As Provided in the Uniformed Services Act of 1967 (Public Law 90-207)

OFFICERS

Pay grade	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26	Over 30
O-10[1]	$1,667.70	$1,864.40	$1,864.40	$1,864.40	$1,864.40	$1,728.00	$1,728.00	$1,860.60	$1,860.60	$1,993.80	$1,993.80	$2,126.70	$2,126.70	$2,259.60	$2,259.60
O-9	1,425.00	1,462.20	1,493.70	1,493.70	1,493.70	1,531.20	1,531.20	1,594.80	1,594.80	1,728.00	1,728.00	1,860.60	1,860.60	1,993.80	1,993.80
O-8	1,290.60	1,329.30	1,360.80	1,360.80	1,360.80	1,462.20	1,462.20	1,531.20	1,531.20	1,594.80	1,864.40	1,728.00	1,797.60	1,797.60	1,797.60
O-7	1,072.20	1,145.40	1,145.40	1,145.40	1,196.40	1,196.40	1,265.70	1,265.70	1,329.30	1,462.20	1,563.00	1,563.00	1,563.00	1,563.00	1,563.00
O-6	794.40	873.30	930.30	930.30	930.30	930.30	930.30	930.30	962.10	1,113.90	1,170.90	1,196.40	1,265.70	1,373.10	1,373.10
O-5	635.40	746.70	797.70	797.70	797.70	797.70	822.60	866.40	924.30	983.60	1,050.60	1,082.10	1,120.20	1,120.20	1,120.20
O-4	536.10	652.20	696.30	696.30	706.60	740.40	790.80	835.20	873.30	911.40	936.90	936.90	936.90	936.90	936.90
O-3[2]	498.30	556.80	594.60	658.50	689.70	714.90	753.30	790.80	810.00	810.00	810.00	810.00	810.00	810.00	810.00
O-2[2]	398.30	474.30	569.70	588.60	600.90	600.90	600.90	600.90	600.90	600.90	600.90	600.90	600.90	600.90	600.90
O-1[2]	343.20	379.80	474.30	474.30	474.30	474.30	474.30	474.30	474.30	474.30	474.30	474.30	474.30	474.30	474.30

[1]While serving as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, or Commandant of the Marine Corps, basic pay for this grade is $2,493.00 regardless of cumulative years of service.

[2]Does not apply to commissioned officers who have been credited with over 4 years' active service as enlisted members.

OFFICERS CREDITED WITH OVER 4 YEARS' ACTIVE SERVICE AS ENLISTED MEMBERS

Pay grade	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26	Over 30
O-3	$658.50	$689.70	$714.90	$753.30	$790.80	$822.60	$822.60	$822.60	$822.60	$822.60	$822.60	$822.60
O-2	588.60	600.90	620.10	652.20	677.40	696.30	696.30	696.30	696.30	696.30	696.30	696.30
O-1	474.30	506.40	525.30	544.20	563.10	588.60	588.60	588.60	588.60	588.60	588.60	588.60

WARRANT OFFICERS

Pay grade	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26	Over 30
W-4	$507.30	$544.20	$544.20	$556.80	$582.00	$607.50	$632.70	$677.40	$708.60	$734.10	$753.30	$778.20	$804.00	$866.40	$866.40
W-3	481.10	500.40	500.40	506.40	512.70	550.20	582.00	600.90	620.10	638.70	658.50	683.70	708.60	734.10	734.10
W-2	403.80	438.00	536.80	449.40	474.30	500.40	519.30	537.90	556.80	575.00	594.60	613.50	638.70	638.70	638.70
W-1	356.60	386.10	386.10	417.90	436.80	455.70	474.30	493.60	512.70	531.60	550.20	569.70	569.70	569.70	569.70

ENLISTED MEMBERS

Pay grade	2 or less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 26	Over 30
E-9[1]							$576.30	$589.50	$603.30	$616.50	$630.00	$642.60	$676.50	$742.20	$742.20
E-8						$483.60	497.10	510.30	523.80	537.00	549.90	563.40	596.70	663.00	663.00
E-7	$303.90	$364.20	$377.70	$391.20	$404.40	417.30	430.50	444.30	464.10	477.30	490.50	497.10	530.40	596.70	596.70
E-6	261.90	316.00	331.20	344.70	358.20	371.10	384.60	404.40	417.30	430.50	437.40	437.40	437.40	437.40	437.40
E-5	228.20	278.70	291.90	304.80	324.90	338.10	351.30	364.20	371.10	371.10	371.10	371.10	371.10	371.10	371.10
E-4	198.20	238.50	251.70	271.50	285.00	285.00	285.00	285.00	285.00	285.00	285.00	285.00	285.00	285.00	285.00
E-3	137.70	192.00	205.50	218.70	218.70	218.70	218.70	218.70	218.70	218.70	218.70	218.70	218.70	218.70	218.70
E-2	113.40	159.00	159.00	159.00	159.00	159.00	159.00	159.00	159.00	159.00	159.00	159.00	159.00	159.00	159.00
E-1	100.50	145.50	145.50	145.50	145.50	145.50	145.50	145.50	145.50	145.50	145.50	145.50	145.50	145.50	145.50
E-1 (under 4 months)	102.30														

[1]While serving as Sergeant Major of the Army, Master Chief Petty Officer of the Navy, Chief Master Sergeant of the Air Force, or Sergeant Major of the Marine Corps, basic pay for this grade is $962.40 regardless of cumulative years of service computed under section 205 of this title.

The Nonproliferation Treaty

A MILESTONE TOWARD PEACE

In mid-June the United Nations took the first vital step in halting the nuclear weapons race and making the atom an instrument of peace when it voted on the U.S.-Soviet-sponsored nuclear nonproliferation treaty. The effect of this milestone in the search for world peace was recently discussed by Under Secretary of State Nicholas deB.Katzenbach. Excerpts from his address are presented below.

Some of the major victories for peace in the post-war era have been won through international law . . . I would like to talk about some of the most important—the victories won and the victories that remain to be won in man's efforts to use nuclear energy for peace rather than war.

Gradually, and on a very measured basis, progress to limit the dangers of nuclear destruction and to foster peaceful development has been made. The Atoms for Peace proposal led to the establishment of the International Atomic Energy Agency.

The Antarctic Treaty, signed in 1959, specifically prohibited nuclear explosions or the disposal of radio-active wastes and permitted inspections of facilities in the continent to make sure its provisions were being carried out. The limited test ban treaty, concluded in 1963, has already dramatically reduced levels of radio-activity in the atmosphere.

Last year's Outer Space Treaty prohibits, among other things, the stationing of nuclear weapons in orbit.

A treaty for the prohibition of nuclear weapons in Latin America, already signed by 21 countries, also came into being last year.

Seven Years of Evolution

The U.N. General Assembly now has before it a draft treaty which is clearly the next urgent, necessary step in bringing the atom under control: a worldwide treaty on the nonproliferation of nuclear weapons.

The current draft treaty is the fruit of at least 7 years of evolution. Its ancestry can be traced directly back to a 1961 resolution sponsored by Ireland and unanimously adopted by the U.N. General Assembly. It called on all states, particularly the nuclear powers, to seek "an international agreement containing provisions under which the nuclear States would undertake to refrain from relinquishing control of nuclear weapons and from transmitting the information necessary for their manufacture to States not possessing such weapons, and provisions under which States not possessing nuclear weapons would undertake not to manufacture or otherwise acquire control of such weapons."

I would like to discuss in some detail three features of the proposed treaty—the provisions relating to safeguards; those dealing with peaceful uses of nuclear explosions; and those calling for further progress toward disarmament by nuclear powers.

Controlling Fissionable Materials

Effective safeguards against the spread of nuclear weapons require, first of all, that fissionable materials be kept close track of. The task is complicated by the fact that nuclear reactors used for peaceful purposes . . . produce plutonium as a by product, and plutionium can be used to make nuclear weapons.

Seven years ago when the Irish resolution was passed, this was not a major problem, since relative few reactors were in operation . . . By conservative projections, nuclear power reactors in operation worldwide by 1985—while creating electricity for millions and turning deserts into arable land—will also be producing enough plutonium to make 20 bombs a day.

I am fully satisfied that the draft treaty takes care of any worries along this line. Article III provides that safeguards must be administered "for the exclusive purpose" of verifying compliance with the treaty's provisions against nuclear weapons or other nuclear explosive devices.

Article IV explicitly protects "the inalienable right of all the Parties to the Treaty to develop research, production and use of nuclear energy for peaceful purposes without discrimination." It states, also, that all parties to the treaty "in a position to do so shall also cooperate in contributing . . . to the further development of the applications of nuclear energy for peaceful purposes, especially in the territories of non-nuclear-weapon States Party to the Treaty."

For these reasons, we think this treaty can do more to advance the goals of the International Atomic Energy Agency—worldwide promotion and development of the

peaceful uses of nuclear energy under safeguards—than all the years of patient, preliminary piecemeal work done in this field to date.

Peaceful Uses of the Atom

The second aspect of the treaty I want to take up is the way it deals with the peaceful uses of nuclear explosions.

The peaceful application of nuclear explosions is still in a relatively experimental stage.

Several things are clear, however. One is that even an optimistic assessment of its potential uses would not justify the enormous expenditure of time, money, and scientific and technical talent required to develop nuclear devices for this purpose alone.

A second inescapable fact—brought to light during the development of the draft treaty—was that a treaty against the proliferation of nuclear weapons would be unsatisfactory if it did not cover *all* nuclear explosive devices, including those intended for peaceful uses.

Faced with these facts, the treaty negotiators evolved what we believe is a fair, sensible, and workable approach to the problem of peaceful nuclear explosions. They coupled nuclear weapons with other nuclear explosive devices in the treaty's basic provisions.

At the same time, recognizing both the economic absurdity of a country's developing nuclear explosives solely for peaceful purposes and the inequity of giving any commercial advantage to nuclear-weapon states, they inserted an article requiring all parties to cooperate in insuring that potential benefits be made available on a nondiscriminatory basis to non-nuclear-weapon parties.

It did not at first seem appropriate to include a treaty obligation requiring nuclear-weapon parties to furnish explosive services to non-nuclear-weapon parties. During the course of the negotiations, however, some countries . . . argued that the treaty must not deprive them of the full benefits of the application of nuclear explosives for peaceful purposes. Article V was added to explicitly recognize that such benefits would not be denied to non-nuclear-weapon parties.

Progress Toward Disarmament

I turn now to the third aspect of the nonproliferation treaty: further progress toward disarmament.

The treaty's preambular paragraphs include a declaration of intention by the signers to achieve a cessation of the nuclear arms race at the earliest possible moment . . . They also express a desire to bring about an end to manufacture of nuclear weapons, to liquidate existing stockpiles, and to eliminate nuclear weapons from national arsenals via a treaty on general and complete disarmament under strict and effective international control.

The United States, for one, is ready, willing, and able to negotiate significant restrictions on the strategic arms race and other important disarmament measures. We believe that the nonproliferation treaty will serve to spur on such negotiations and to place a still greater premium on their early and successful conclusion.

All the outstanding problems of disarmament and nuclear energy cannot be solved in one document. A nuclear nonproliferation treaty is the logical and vital next step.

"Before leaving the subject of safeguards there is one incidental point I would like to make. It is interesting to note the evolution of Soviet thinking on this subject. For at first, as you may recall, they had no interest in safeguards at all; and now they have agreed to international safeguards inspections on the territories of Warsaw Pact countries. I think this marks a considerable advance for the principle of international inspection; and perhaps it is not going too far to read it as a favorable portent for a more enlightened attitude in the future towards international inspection on Soviet territory itself."—William C. Foster, Director, U.S. Arms Control and Disarmament Agency.

Photo courtesy U.S. Atomic Energy Commission

An International Atomic Energy Agency inspector (center) observes a technician at work in a U.S. nuclear fuel reprocessing plant during IAEA's first inspection of that type of facility.

Air Force Secretary Brown on Military Civilian Relationships

Military officers who speak out on important matters affecting the Defense establishment must consider whether or not what they say can undermine the foundation of the civil-military relationship in the United States, according to Secretary of the Air Force Harold K. Brown.

Speaking before the graduating class at the Air War College, Maxwell AFB, Ala., Dr. Brown said:

"The mere suggestion of conflict between civilian and military leaders makes news in our free society. And conflict, whether real or merely imagined in our news media, may lead to problems which fall heavily on those in responsible positions. Occasionally, they ensnare, irrevocably, those who are unsure about the legal and ethical foundations of civil-military relations in our country."

Often, Dr. Brown said, situations which lead to supposed conflict between the civilian and military leadership result from two values which are sometimes mutually exclusive — free speech and sense of duty.

"The military officer with a cause (or apparent cause) will find a ready supply of special interest groups waiting for the opportunity to praise or condemn his actions. Often they distort the controversy for motives quite inconsistent with his (the officer's) own.

"He may find himself whipsawed by the conflicting motivations of segments of the press representing various outlooks. He may become the hero, or the villain, of various political factions. His views may be taken and twisted in the interests of interservice or even intraservice rivalry.

"And he is not immune from misrepresentation by promilitary and antimilitary groups seeking to plug their particular platforms."

Dr. Brown said the military officer, in weighing his obligation to speak out or remain silent on important military topics, should consider whether he is advising:

1—The public;

2—The Congress, or,

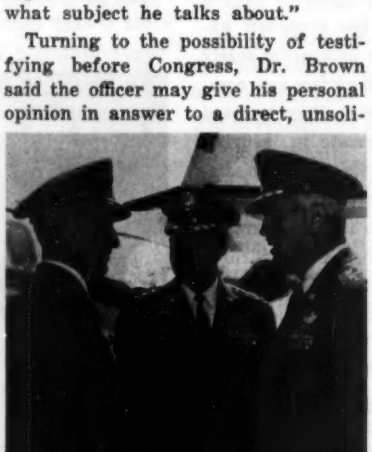
3—His superiors in the Executive Branch.

"Quite simply, it is inappropriate for an active duty military officer to volunteer a public position contrary to established national policy," Dr. Brown said.

The Air Force Secretary pointed out that the military today exists to serve the ends of American foreign policy, and that military operations or decisions, without civilian control, could be dangerous "because they could guide and force foreign policy into paths not intended by the legitimate political leaders of the United States, either in the Executive or in the Congress."

Most officers, Dr. Brown added, have no direct responsibility for many aspects of foreign affairs. "Yet the public — domestic and foreign — is likely to consider an officer as speaking for the United States no matter what subject he talks about."

Turning to the possibility of testifying before Congress, Dr. Brown said the officer may give his personal opinion in answer to a direct, unsolicited question. "But ethically he has an obligation to support a decision, once it has been made by his superiors."



GRADUATION SPEAKER — Gen. Bruce K. Holloway (left), Air Force Vice Chief of Staff, is greeted on arrival at Maxwell AFB by Lt. Gen. John W. Carpenter III (center), Air University commander, and Maj. Gen. H. J. Sands Jr., Air Command and Staff College commandant. Gen. Holloway delivered the graduation address to the Class of 1968.

He may, Dr. Brown said, explain his recommendation, even though it was not adopted, in reply to a direct question. But, "he has at the same time a moral obligation to explain and defend the rationale which leads to a decision."

As with public pronouncements, the Air Force Secretary added, military statements before Congress should be based primarily on areas requiring military expertise.

"Statements on subjects in which one is not expert are likely to raise doubts about the entire testimony. If a questioner catches an officer in error about the economy, for example, the officer may eventually be discredited on unrelated subjects, including force structures and new weapons."

In the area of advice within the Executive Branch of government, Dr. Brown said, the general rule is that free expression is expected and essential before a decision is reached on a particular matter—no matter whether the superior requesting the advice is civilian or military.

"Within the Air Force I prefer to have an officer give advice which goes beyond traditional notions of narrow military expertise, but I want him also to tell me what his specific military analysis is as well, so that I can weigh it separately with other imputs added according to my own judgment."

To the degree possible, Dr. Brown said, officers should try to consider the political-military implications of advice. Civilian superiors must make the decision and bear the responsibility, "but they will certainly welcome informed participation by the military officer. However, you must be sure to distinguish what part of your advice rests on a basis of judgments which may be outside your expertise, and you should clearly label any nonmilitary assumptions you make in giving a military judgment."

STRATEGY SEMINAR—Gen. Earle G. Wheeler (left), Chairman of the Joint Chiefs of Staff, is greeted upon arrival at the U.S. Army War College, Carlisle Barracks, Pa., by Maj. Gen. William J. McCaffrey, commandant. Gen. Wheeler addressed participants in the 14th Annual National Strategy Seminar on "U.S. Military Strategy and Force Structure."

TURNOVER CEREMONY — RAdm. Kenneth L. Veth, USN, Commander U.S. Naval Forces, Vietnam, watches Capt. Tran Van Chon, Chief of Naval Operations, Vietnamese Navy, sign turnover documents for six motorized minesweep landing craft and eight river patrol boats. Ceremonies were held at Vietnamese Navy Headquarters June 10.

Profit Levels Decline on Defense Contracts

(*Continued from Page 1*)

plants, equipment and operating capital by 50 percent during these years, without an improvement in profits earned on defense work.

3—A study of 3,500 commercial durable goods companies reveals just the opposite picture—their average profits have steadily increased since 1958; in 1966 they were approximately twice the rate of profits on defense business.

Mr. Morris said several factors contribute to the lower profit levels on Defense business. These include a much higher level of competition in defense contracting which has caused bidders to sharpen their pencils much finer; and the greater use of firm-fixed-price and incentive contracts, under which contractors assume more financial and technical risk than in the past. Cost-plus-fixed-fee contracts have declined from 36.6 percent to 10.4 percent in this period.

Referring to Secretary Clifford's letter to Congress, Mr. Morris said there is some concern with the downward trend in average profits earned because, as Secretary Clifford states, ". . . we cannot properly expect industry to accept greater risks, and to apply an ever larger share of their own financial resources to the performance of the complex military undertakings, without a valid opportunity to obtain profit results commensurate with lower costs to the Government."

The accompanying table, from the Renegotiation Board reports for 1956-1967, shows sales and pre-tax profits, and the over-all percent of pre-tax profits on sales.

Secretary Clifford's letter to the Committee Chairmen concludes: "I can assure you that we will continue to keep Defense costs and profits under the closest scrutiny; that we will continue to pursue the objective of wisely using the profit motive and competition to attract the best industrial capabilities to Defense work, and reward contractors appropriately for their performance as measured by on-time performance, technical achievements, and cost."

Year Ending June 30	Renegotiable Sales (Billions)	Renegotiable Profits (Billions)	Profit on Sales
1956	$28.2	$1.8	6.5%
1957	27.7	1.6	5.8
1958	26.6	1.3	4.9
1959	26.3	1.1	4.2
1960	28.5	1.1	4.0
1961	25.1	0.9	3.6
1962	29.3	0.9	3.1
1963	31.2	0.9	2.9
1964	39.3	1.1	2.9
1965	34.8	1.0	3.0
1966	31.8	1.0	3.0
1967	33.1	1.2	3.5

AF Gets New Policy on Officer Temporary Promotions

General J. P. McConnell, Air Force Chief of Staff, has approved a new policy for the Officer Temporary Promotion Program.

Basically, Gen. McConnell put his stamp of approval on a change in primary zone promotion eligibility for officers from the total service system to a date of rank system.

The change will affect only a few officers—about 10 per cent—of the active duty officer force. Additional information will be provided to personnel officers concerning individuals affected.

The policy will become effective with the temporary colonel selection board scheduled to convene Nov. 4, 1968. It will be extended to the temporary grades of major and lieutenant colonel for selection boards programmed to convene in 1969.

Primary zone promotion eligibility for the Nov. 4 colonel board will be based on both service and date of rank criterion in order to assure consistency and equity for those officers eligible for promotion to colonel under criteria announced during April 1968.

General McConnell said promotion to the temporary grade of captain under the date of rank system (18 months in grade) will be on or after Jan. 1, 1969. Current procedures governing promotion to the temporary grade of first lieutenant will remain the same.

The Air Force views the new policy as an improvement to the Officer Temporary Promotion Program. The date of rank system emphasizes seniority and service in the current grade for promotion eligibility to the next higher grade.

General McConnell said he wanted to assure every active duty officer that this change will not affect current promotion opportunity or promotion phase points.

"In fact," he said, "other conditions which influence the promotion system are such that promotion to captain is being accelerated to three years and promotion opportunity to major is being increased to 90 per cent."

The date of rank system has been in the planning and development stages for several years, and its implementation with the Nov. 4 colonel board is consistent with Air Force near and long term objectives.

Deputy SecDef Describes Modern Strategic Problems

(*Continued from Page 1*)

"they": the actual enemy, or the possible enemy and how that group can be narrowed in extent, and who are the potential 'we' and how that group can be expanded in extent.

"That may seem obvious enough, but it is not quite as simple as it sounds. In matters of war and peace —particularly in modern twilight, unconventional wars that are so largely psychological in character—the precise identification of friend and foe is not always obvious."

Secretary Nitze talked about strategic planning and strategic thinking. He listed several roadblocks, stating that sensible military planning has been another kind of confusion: it is the confusion between what are our strategic objectives, and what are our strategic intentions. This is a more subtle distinction than the "We-They-Problem," but again, it is a matter of carefully assessing the realities of a given politico-military situation in the world.

The Secretary explained, "Our strategic objectives are not always immediately obtainable. Indeed, they usually are not. It would be very convenient, for example, if we could tomorrow morning realize our objective of the reunification of Germany. That particular reunification is very important to the security of the United States, and indeed ultimately to the security of Eastern Europe, as well as to that of the entire West.

"It is, therefore, now—and has been for 20 years—our clear desire to see Germany reunified under free elections.

"That is our objective.

"Because of the active, and armed opposition of the Soviet Union, that objective — as yet — has not been achieved. It remains a genuine objective. But in the meantime, we—together with the other members of NATO—must have a strategic intention to keep the Federal Republic of Germany from being attacked and overrun by the Warsaw Pact. That intention is firm and unshakable, and we have both the capability and the will to see that such an aggression will not be permitted to succeed.

"The point is that it is not enough to have strategic long-term objectives. One must also have the strategic, pragmatic intentions of taking the means necessary to preserve the ultimate possibilities of attaining the objectives."

Secretary Nitze told the new officers, "The military strategist today must eliminate emotionalism in his planning—a difficult thing at best for any human being to do."

He added, "We do want peace.

"And that is why we are prepared for war."

In conclusion, he told the cadets:

- Your commission today is not a mandate to make the madness of conflict more prevalent; it is a mandate to make it more preventable.
- Your commission today is not a license to become a purveyor of violence; it is a license to become a preventer of violence.
- Your commission today is not a writ and warranty of an America inflamed with aggressive ambitions; it is a writ and warranty of an America dedicated to peaceful purposes.

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